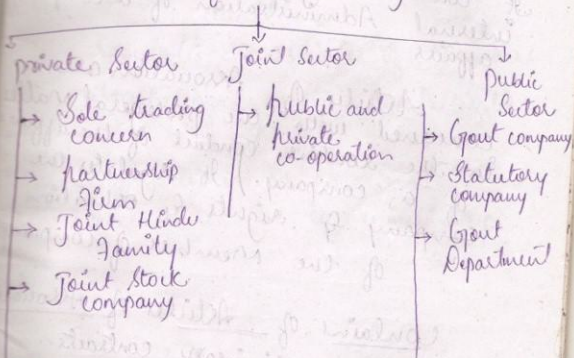


28 July 2009 Form of Business Organisation

Form of Business Organisation



$$5 = \frac{5}{1}$$

$$5\% = \frac{5}{100}$$

$$2\frac{1}{2} = \frac{5}{2}$$

$$2\frac{1}{2}\% = \frac{5}{200}$$

$$33\frac{1}{3} = \frac{100}{3}$$

$$33\frac{1}{3}\% = \frac{100}{300} = \frac{1}{3}$$

$$66\frac{2}{3}\% = \frac{2}{3}$$

Q) H-16

Annual Depreciation under Straight line Method is

Cost - Scrap value

3 Years

$$\frac{20000 - 2000}{3} = 6000$$

∴ For each of the three years the depreciation is Rs 6000 per Annum

S) H-16

Annual Depreciation under Straight line Method

Cost - Scrap value

10 years

$$\frac{50,000 - 10,000}{10 \text{ years}} = 4000$$

Rate of Depreciation is

$$\frac{\text{Annual Depreciation}}{\text{Cost}} \times 100 = 8\%$$

6/4-16

The Book Value After 10% Depreciation is 90%. The Book Value on 31-12-2006 is 72900

(Given) \therefore Book Value on 1-1-2006 is

$$72900 \div 90\% = 81000$$

\therefore Book Value on 1-1-2005 is

$$81000 \div 90\% = 90000$$

\therefore Book Value on 1-1-2004 is

$$90000 \div 90\% = 100000$$

\therefore The Cost of value of Asset is 100000

Depreciation was calculated 3 times on

31-12-2004, 31-12-2005, 31-12-2006

\therefore The Cost of the Machine is $72900 \div 90\% \div 90\% \div 90\% = 100000$

Date

4-1-03

1-2-03

31-12-03

31-12-03

31-12-03

31-12-03

31-12-03

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31-12-03

31-12-03

31-12-03

Dr			Machinery A/c			Cr		
date	particulars	Amount	date	particulars	Amount			
1-4-2003	To Bank A/c	18000	31-12-2003	By Depreciation A/c				
1-4-2003	To Installation Bank A/c	2000		$20,000 \times \frac{9}{12} \times 10\%$	1500			
		<u>20000</u>	31-12-2003	By Balance c/d	18500			
1-1-04	To balance b/d	18500			<u>20000</u>			
			31-12-04	By Depreciation A/c	2000			
				$20,000 \times 10\%$				
				By Balance c/d	16500			
		<u>18500</u>			<u>18500</u>			
1-1-05	To balance b/d	16500	31-12-05	By Depreciation A/c	2000			
		<u>16500</u>	31-12-05	By Balance c/d	14500			
					<u>16500</u>			
1-1-06	To balance b/d	14500	30-6-06	By Depreciation A/c	1000			
				$20,000 \times \frac{5}{12} \times 10\%$				
		<u>14500</u>		By Bank A/c (Sold)	4000			
			30-6-06	By Profit & Loss A/c	9500			
					<u>14500</u>			

Working Notes

Date	particular	machine-2	machine-11	machine-11	Total
1-1-05	Bank	40,000	-	-	40,000
1-3-05	Bank	-	20,000	-	20,000
1-4-05	Depreciation	4000	1000	-	5000
1-1-05	Balance	36000	19000	-	55000
1-3-05	Depreciation	3600	1900	-	5500
1-1-05	Balance	34000	17100	-	49500
1-1-05	Bank	-	-	38000	38000
1-1-05	Depreciation	2430	-	-	82500
	Bank (Sold)	29970	-	-	32400
	profit & loss a/c (loss on sale)	25000	-	-	55100
	Depreciation	4990	-	-	2660
1-1-05	Balance	-	1710	950	
1-1-05	Balance	-	15390	37050	52440
1-1-05	Depreciation	-	1,539	3705	5244
1-1-05	Balance	-	13851	33345	47196
1-1-05	Depreciation	-	1385	3335	4720
1-1-05	Balance	-	12466	30010	42476

dr

Machinery A/c

cr

date	particulars	Amount	date	particulars	Amount
1-03	To Bank A/c	40,000	31-12-03	By Depreciation A/c	5000
1-03	To Bank A/c	20,000	31-12-03	By Balance c/d	55000
		<u>60,000</u>			<u>60,000</u>
1-04	To Balance b/d	55000	31-12-04	By Depreciation A/c	5500
			31-12-04	By Balance c/d	49500
		<u>55000</u>			<u>55000</u>
1-05	To Balance b/d	49500	1-10-05	By Depreciation	2430
1-05	To Bank A/c	38000	1-10-05	By Bank A/c	25000
				(Machine 2 sold)	
			1-10-05	By Profit & Loss A/c	4920
			31-12-05	By Depreciation A/c	2660
			31-12-05	By Balance c/d	52440
		<u>87500</u>			<u>87500</u>
1-06	To Balance b/d	52440	31-12-06	By Depreciation	5244
			31-12-06	By Balance c/d	47196
		<u>52440</u>			<u>52440</u>
1-07	To Balance b/d	47196	31-12-07	By Depreciation A/c	4720
			31-12-07	By Balance c/d	42476
		<u>47196</u>			<u>47196</u>
1-08	To Balance b/d	42476			

3/4-17

Working Notes

du

date

1-1-2000

1-1-2000

1-7-2000

1-1-01

1-1-02

1-7-02

1-1-03

1-1-04

1-1-05

1-1-06

Date	particulars	Machine - I	Machine - II	Machine III	Total
1-1-2000	Bank	12000			
	Bank	8000			20,000
1-7-2000	Bank	-	10,000		10,000
31-12-2000	Depreciation	2000	1000 500		30,000 2500 32500
31-12-2000	Balance	18000	14000 9500	-	42000 27500
1-1-01					
31-12-01	Depreciation	2000	1000	-	3000
31-12-01	Balance	16000	8500	-	24500
1-1-02				24000	24000
1-7-02	Bank				48500
	Depreciation	1000			
		15000			
	Bank	4000			
		11000			
	profit & loss (loss on sale)				
				24000	16000
31-12-02	Bank				32500
	Depreciation	-	1000	1200	37000 2200
31-12-02	Balance	-	7500	22800	30300 3400
1-1-03				2400	
31-12-03	Depreciation	-	1000		
31-12-03	Balance	-	6500	20400	26900
1-1-04			1000	2400	3400
31-12-04	Depreciation	-			
31-12-04	Balance	-	5500	18000	23500
1-1-05			1000	2400	3400
31-12-05	Depreciation	-			
31-12-05	Balance	-	4500	16600	20100
1-1-06					

Machinery A/c

date	particulars	Amount	date	particulars	Amount
1-1-2000	To Bank a/c	12000	31-12-2000	By Depreciation	2500
1-1-2000	To Bank a/c	8000	31-12-2000	By Balance c/d	22500
1-1-2000	To Bank a/c	10,000			30,000
		<u>30,000</u>			
31-12-01	To Balance b/d	22500	31-12-01	By Depreciation a/c	3000
			31-12-01	By Balance c/d	24500
		<u>22500</u>			
1-1-02	To Balance b/d	24500	1-7-02	By Depreciation (machine 3)	1000
1-7-02	To Bank a/c	24000	1-7-02	By Bank a/c	4000
			1-7-02	By profit & loss a/c	11000
			31-12-02	By Depreciation	2200
			31-12-02	By Balance c/d	30300
		<u>48500</u>			48500
31-12-03	To Balance b/d	30300	31-12-03	By Depreciation	3400
			31-12-03	By Balance c/d	26900
		<u>30300</u>			30300
31-12-04	To Balance b/d	26900	31-12-04	By Depreciation	3400
			31-12-04	By Balance c/d	23500
		<u>26900</u>			26900
31-12-05	To Balance b/d	23500	31-12-05	By Depreciation	3400
			31-12-05	By Balance c/d	20100
		<u>23500</u>			23500
31-12-06	To Balance b/d	20100			

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Working Notes

Particulars	Machine-3	Machine-2	Machine-1	Total
1-1-91 or 1-12-90	Balance	9,07,200	$20000 \times 10\% / 2200$	9,72,000
31-12-90	Depreciation	1,00,8000	64800	$\frac{972000 \times 10}{90}$ 1,08,000
1-1-89 or 31-12-89	Balance	1,00,8000	720,000	1,08,0000
31-12-89	Depreciation	1,12,000	$\frac{20000 \times 10\%}{2200}$ 8000	$\frac{1080000 \times 10}{90}$ 1,20,000
1-1-89	Bank (lost)	1,12,000	80,000	1,20,0000
			$\frac{80000 \times 10\%}{8000}$	
1-1-89	Bank (lost)	1,12,000	80,000	1,20,0000
31-12-89	Depreciation (Straight line Method)	1,12,000	8000	1,20,000
31-12-89 or 1-1-90	Balance	1,00,8000	72000	1,08,0000
31-12-90	Depreciation	1,12,000	8000	1,20,000
31-12-90 or 1-1-91	Balance	89,6000	64,000	9,60,000
Total depreciation as per Straight line method				
$1200000 - 960000 = 240000$				
Total Depreciation as per Diminishing Balance Method				
$1200000 - 972000 = 228000$				
\therefore The Additional depreciation to be charged in 1991 is				
$240000 - 228000 = 12000$				

Total Depreciation on Second Machine as per
Straight line Method =

$$8000 + 8000 = 16000$$

Total Depreciation as per Diminishing Balances.
Method (Second Machine).

$$8000 + 7200 = 15200$$

Additional Depreciation to be charged
to Second Machine =

$$16000 - 15200 = 800$$

∴ Additional Depreciation to be charged to
Machine I in 1991 is 12000

$$12000 - 800 = 11200$$

1-1-91	Balance	Machine I	Machine II	Machine III	Total
		896000	64000	-	960,000
31-3-91	Depreciation	-	4800	-	
			60,000		
	Bank (sold)		59200		
	Profit & Loss acc. (on sale)		45000		
			<u>14200</u>		
	Bank (pur)			150,000	
	Bank (instal)			8000	
				<u>158000</u>	158000
					1118000
					64000
					<u>1054000</u>
31-12-91	Depreciation	112000 + 11200	-	2900	131100
		123200			
		<u>272800</u>		150100	922900

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Working Notes

Date	particulars	Machine A	Machine B	Machine C	Total
1-1-91	Bank (pur)	30,000			
1-1-91	Bank (over ^{Haarling} Haarling)	20,000			50,000
1-7-91	Bank (purchase)		25,000		25,000
31-12-91	Depreciation	5000	1250		6250
31-12-91	Balance	45000	23750		68750
1-1-92					
31-12-92	Depreciation	5000	2500		7500
31-12-92	Balance	40,000	21250		61250
1-1-93					40000
1-7-93	Depreciation	2500			21250
	Bank (sale)	37500			60,000
	Profit & Loss	10,000			86675
	(Loss on sale)	27500			81250
1-7-93	Bank (pur)	-		60,000	60,000
31-12-93	Depreciation	-	2500	3000	5500
31-12-93	Balance	-	18750	57000	57500
1-1-94					81195
31-12-94	Depreciation	-	28183	8550	113683
31-12-94	Balance	-	15938	48450	64388
1-1-95					64388
31-12-95	Depreciation	-	2390	7268	9659
31-12-95	Balance	-	13547	41182	54729
1-1-96					

Machinery a/c

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particulars	Amount	date	particulars	Amount
By Balance b/d	922000	1-1-91	By additional depreciation	12000
By Bank a/c (machine @ purchased)	150000	1-2-91	By Depreciation	4000
			$80000 \times 10 \div 10 \times \frac{6}{12}$	
By Bank a/c (installment)	80000	1-2-91	By Bank a/c (Sold Machine II)	45000
		1-2-91	By profit & loss a/c (loss on sale)	
			$64000 - 48000 = 45000$	15000
		31-12-91	By Depreciation a/c	
			$(112000 + 7900)$	119900
		31-12-91	By Balance c/d	934100
	1130000			1130000
By Balance b/d	934100			

Working Notes (Diminishing Balance Method)

Date	Particulars	Mac-1	Mac-2	Mac-3	Total
1-7-97	Bank (purchase)	800000	-	-	800000
30-6-98	Depreciation	160000	-	-	160,000
30-6-98 1-7-98	Balance	640000	-	-	640,000
1-1-99	Bank (purchase)	-	600000	-	600000
30-6-99	Depreciation	128000	60,000	-	188000
30-6-99 1-7-99	Balance	512000	540,000	-	1052000
30-6-2000	Depreciation	102400	108000	-	210400
30-6-2000 1-7-2000	Balance	409600	432000	-	841600
30-6-01	Depreciation	81920	86400	-	168320
30-6-01 1-7-01	Balance	327680	345600	-	673280

Under Straight Line Method

1-7-97	Bank (pur)	800000			800000
30-6-98	Depreciation	120,000	-	-	120000
30-6-98 1-7-98	Balance	680,000	-	-	680,000
1-1-99	Bank (purchase)	-	600000	-	600000
30-6-99	Depreciation	120,000	45000	-	165000
30-6-99 1-7-99	Balance	560000	555000	-	1115000
30-6-2000	Depreciation	120000	90000	-	210000

30-6-2000 1-7-2000	Balance	440000	465000		905000
30-6-01 1-7-01	Depreciation	120000	90,000		210000
30-6-01 1-7-01	Balance	320000	375000		695000
30-6-01 1-7-01	Bank (pur)	-	-	1500000	1500000
30-6-02 1-7-02	Depreciation	120000	90000	168750	2195000
30-6-02 1-7-02	Balance	200000	285000	1331250	1816250

Total Depreciation on Diminishing Balance Method from 1-7-97 - 30-6-01
= 226720

Total Depreciation on Straight line method from 1-7-97 to 30-6-01
= 1083750

∴ ~~Excess~~ Depreciation charged
∴ Additional Depreciation to be charged ^{Adjusted}
to Machinery A/c on 1-7-01

$$= 1083750 - 226720 = 857030$$

$$= 226720 - 205000 = 21720$$

Date particulars

- (a) Amount wrongly Added to Machinery A/c on 30th June 1974 Rs 3000. The Depreciated Value on 1-1-1976 is Rs 3000 - 150 - Half year depreciation for 1974 - Full year depreciation for 1975
- $$= 3000 - 150 - 80$$
- $$= (3000 \times 10 \times \frac{6}{12}) \times 10\%$$
- $$= 3000 - 150 - 1090 = 2565$$
- is to be deducted from the Machinery A/c on 1-1-76.

- (b) The Cost of Machine purchased on 1-10-74 was Rs 1200 + 80 = 1280 was not Added to Machinery A/c. The Book Value of this machine on 1-1-76 was
- $$Rs 1280 - \left(\frac{3}{12} \times 10\%\right) \text{ in } 1974 - 10\% \text{ for } 1975$$
- $$= 1280 - 32 - 10\% = 1124$$

In 1976 Book value of Machine Sold was 4000 - 10% - 10% on 1-1-1976

∴ Depreciation upto date of Sale 162

∴ The Book value of the machine on date of Sale 3240 - 162 = 3078

∴ Loss on Sale 3078 - 3000 = 78

The cost of new Machine purchased on 30-6-76

$$30-6-76 = 6000 + 100 = 6100$$

∴ Depreciation on this Machine is Rs 6100×100

$$= 305$$

The opening Balance in Machinery A/c on

1-1-1976 After correction is Rs 29800-

Book Value of repairs + purchase of Machine in 1974 at its Book Value.

$$29800 - 2565 + 1124 = 28358 - (2400)$$

∴ Depreciation

Machinery A/c

1-1-76	To Balance b/d	29800	1-1-76	By Repair (Capitalised)	2565
1-1-76	To Bank Machine purchased on 1-10-74	1124	30-6-76	By Depreciation	162
			30-6-76	By Bank A/c (sold)	3000
30-6-76	To Bank A/c (pur) (including charges)	6000	30-6-76	By profit & loss A/c (Loss on sale 28)	28
			31-12-76	By Depreciation A/c (2512 + 305)	2817
			31-12-76	By Balance c/d	284
		37024			3702

de			Repair & Renewals Provision A/c			U
date	particulars	Amount	date	particulars	Amount	
I st year	To Repairs	3000	I st year	By profit & loss A/c	30,000	
I st year	To Balance c/d	27000				
		<u>30,000</u>			<u>30,000</u>	
II nd year	To Repairs A/c	8000	II nd year	By Balance b/d	27000	
	To Balance c/d	49000	III rd year	By profit & loss A/c	30,000	
		<u>57000</u>			<u>57000</u>	
III rd year	To Repairs A/c	11000	III rd year	By Balance b/d	49000	
	To Balance c/d	68000		By profit & loss A/c	30,000	
		<u>79000</u>			<u>79000</u>	